

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
CONDUIT 501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Pueblo Serra Worship Holdings (Borrower)		Amount Requested:	Not to exceed \$500,000
Applicant Description:	Pueblo Serra Worship Holdings (Borrower) is a California non-profit religious corporation founded in 2002. The Borrower is wholly-owned by JSerra Catholic High School (JSerra), a California non-profit religious corporation. The JSerra leases its north and south campuses from the Borrower for the operation of a high school.			
Type of Financing:	The Borrower requests issuing up to \$500,000 in conduit Tax-exempt Variable Rate Demand Obligations (2015 Obligations).			
Project Description:	Through the Project, the Borrower will (1) restructure its conduit California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2013 A, B, and C (2013 Obligations) (the "Restructuring"), the proceeds of which were used to finance and refinance the cost of construction of the JSerra school facilities; and (2) issue the conduit 2015 Obligations for the JSerra Catholic High School project (2015 Project), to provide funding for (i) costs associated with the Restructuring and (ii) for costs of issuance of the conduit 2015 Obligations.			
Project Site:	26300, 26311, 26331, 26351, and 26353 Junipero Serra Road, San Juan Capistrano, CA 92675-1635 (Orange County)			
Plan of Finance:	Upon issuance of the conduit 2015 Obligations, IBank will loan the proceeds to JSerra who will use the proceeds of the conduit 2015 Obligations to pay for costs associated with the Restructuring and the costs of issuance of the conduit 2015 Obligations. The Restructuring of the conduit 2013 Obligations includes extension of the initial direct purchase period, extension of the maturity date, transferring a portion of the conduit 2013 Obligations to a new purchaser, and replacement of the administrative agent for the holders.			
Type of Issue:	Private Placement			
Tax Status:	Tax-exempt			
Term:	25 years			
Credit Enhancement:	No Credit Enhancement			
Credit Rating:	Unrated			
Fees:	Application Fee \$1,500; Issuance Fee \$1,250; Annual Fee \$500 per year			
Est. Sources of Funds:		Est. Uses of Funds:		
Tax-exempt Obligations Par Amount	\$500,000	Costs of Issuance	\$500,000	
Borrower Funds	\$0			
TOTAL SOURCES	\$500,000	TOTAL USES	\$500,000	
Financing Team:	Bond Counsel:	Kutak Rock LLP		
	Direct Purchase Bank:	Farmers and Merchant Bank of Long Beach		
	Borrower Legal Counsel:	The Busch Firm		
Public Benefits:	Issuance of the conduit 2015 Obligations will facilitate the Restructuring which is expected to lower the Borrower's debt service payments and in turn allow the Borrower to continue to contribute to community and cultural events, and support students with financial aid and scholarships. JSerra has provided over \$1 million in financial aid and scholarships to students.			
Date of Board Meeting:	Resolution Number:	Prepared by:		
November 17, 2015	15-18	John Belmont on 11/2/2015		

Staff Recommendation: Staff recommends approval of Resolution No.15-18 authorizing the restructuring of the conduit 2013 Obligations and the issuance of the conduit 2015 Obligations in an amount not to exceed \$500,000 for the benefit of Pueblo Serra Worship Holdings, a California non-profit religious corporation.

BACKGROUND AND HISTORY

Pueblo Serra Worship Holdings (Borrower) is a California non-profit religious corporation founded in 2002. The Borrower is wholly-owned by JSerra Catholic High School (JSerra), a California non-profit religious corporation. JSerra leases its north and south campuses from the Borrower for the operation of a high school.

Accreditation & Curriculum

JSerra is a private Roman Catholic high school, recognized and approved by the Diocese of Orange, and accredited by the Western Association of Schools and Colleges and the Western Catholic Education Association. JSerra offers a comprehensive college preparatory curriculum integrated with the traditions and beliefs of the Roman Catholic doctrine. While JSerra is Catholic-based, it is open to all students.

Enrollment and Tuition

JSerra began to enroll students on September 3, 2003; enrolling about 160 freshman and sophomore students that year. Enrollment has grown to approximately 1,100 students in grades nine through twelve.

Location

JSerra is located immediately adjacent to Interstate 5 in San Juan Capistrano, with convenient access via freeway to North Orange County and North San Diego County. JSerra has two campuses: the North Campus, the site of JSerra's 64 classrooms, library/media center, bookstore, chapel; and the South Campus, the site of JSerra's athletic complex that includes the Pavilion, Aquatics Center, Fields, Track and Field Facilities, Baseball and Softball Fields, Tennis Center, Sand Volleyball Courts, Training Center and Golf Course. The Borrower owns the land on which the North Campus is located and leases, under a long-term ground lease, the land on which the South Campus is located. The Borrower leases the land on which both campuses are located to JSerra.

Community Involvement

Serving the community is part of JSerra's mission and philosophy. Students develop their own personal responsibility and contribute back to the society. Students must complete specified Christian service requirements prior to graduation. For further details of community involvement please see Public Benefits section.

The Borrower's and JSerra's leadership is listed in Appendix A.

PROJECT DESCRIPTION

Through the Project, the Borrower will (1) restructure its conduit California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2013 A, B, and C (2013 Obligations) (the "Restructuring"), the proceeds of which were used to finance and refinance the cost of construction of the JSerra school facilities; and (2) issue the conduit 2015 Obligations for the JSerra Catholic High School project (2015 Project), to provide funding for (i) costs associated with the Restructuring and (ii) for costs of issuance of the conduit 2015 Obligations.

The Restructuring includes extending the initial direct purchase period, extending the maturity date, transferring a portion of the 2013 Obligations to a new purchaser, and replacing the administrative agent for the bond holders (Restructuring).

The final maturity of the 2013 Obligations is September 1, 2034. Pursuant to the Restructuring, JSerra has requested to extend the maturity to December 1, 2040. The original purchasers of the 2013 Obligations were Wells Fargo Bank, National Association (Wells); Farmers & Merchants Bank of Long Beach (F&M); and Comerica Bank (Comerica). As part of the Restructuring, Wells will transfer its interest in the 2013 Bonds in part to F&M and in part to Comerica and Community Bank (Community). F&M, Comerica, and Community will assume the responsibility as Purchasers. F&M will also be the Purchaser of the 2015 Obligations and the administrative agent for the 2013 and 2015 Obligations.

Allocation:	F&M Bank of Long Beach:	\$25,240,000
	Comerica Bank:	\$10,036,800
	Community Bank:	<u>\$17,670,000</u>
		\$52,946,800

The above Allocation reflects the outstanding principal balance of the 2013 Obligations (\$52,446,800) plus the amount requested (\$500,000) from 2015 Obligations. F&M Bank will be allocated \$24,740,000 of the 2013 Obligations and the entire amount of the 2015 Obligations. The remaining allocation will be divided between Comerica and Community Bank; the final allocation will depend on the actual issuance amount of the 2015 Obligations.

Conduit IBank 2013 Obligations Financing

Bond Issue	Issue Date	Amount Issued	Amount Outstanding	Issue Maturity Date	Requested Extended Maturity Date
Series 2013 A B C	7/26/2013	\$55,130,000	\$52,446,800	9/1/2034	12/1/2040

ELIGIBILITY FOR FINANCING BY A STATE AGENCY

As noted earlier, both the Borrower and JSerra are California non-profit religious corporations. In connection with the issuance of the conduit 2015 Obligations, Kutak Rock LLP (Bond Counsel) was asked to provide a memorandum to IBank confirming that issuance of the conduit 2015 Obligations would not violate applicable constitutional prohibitions of the “establishment of religion” (Constitutional Prohibitions). Under California law, so long as certain conditions, set forth in opinions of the California Supreme Court are met, the use of proceeds of obligations (such as the 2015 Obligations) issued by a public entity (such as IBank) by a religious institution (such as the Borrower or JSerra) would not violate the Constitutional Prohibitions. Bond Counsel performed the necessary legal analysis and concluded that the proposed issuance of the conduit 2015 Obligations by IBank meets the conditions as articulated in the controlling case of California Statewide Communities Development Authority v. All Persons Interested (2007) 40 Cal.4th 788 (CSCDA) as well as supported by related cases (collectively, Applicable Law).

Applicable Law provides that the Constitutional Prohibitions are not violated so long as the religious school participating in the conduit financing program (i) offers a broad curriculum in secular subjects, comprised of classes whose academic content is neutral with respect to religion, and (ii) the facilities built or improved with state funds are not used for theological or divinity programs or as a place of worship.

Based on its examination of relevant JSerra documents and its analysis of the Applicable Law, Bond Counsel concluded that the issuance of the conduit 2015 Obligations for the benefit of the Borrower and JSerra meet the conditions of Applicable Law. IBank attorneys reviewed the Applicable Law as well as Bond Counsel’s analysis and concur in the conclusion that there are no constitutional obstacles to the issuance of the conduit 2015 Obligations.

FINANCING STRUCTURE

IBank Term Sheet Pueblo Serra Worship Holdings 2015 Obligations

Date: November 17, 2015

Bond Par Amount:	Not to exceed \$500,000; Tax-exempt
Type of Offering:	Private Placement
Credit Enhancement and Expected Credit Rating:	None
Interest:	Variable
Maturity:	December 1, 2040
Collateral:	Deed of Trust on real property of the Borrower, security interest in personal property assets of the Borrower and JSerra Catholic High School ("JSHS"), and guarantees by JSHS and certain private individual supporters of the Borrower.
Closing Date:	December 1, 2015
Conduit Transaction:	The 2015 Obligations are special, limited obligations payable solely from payments made by the Borrower under the Transaction Documents and IBank and the State shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the IBank or the State for all or any portion of the payments to be made pursuant to the 2015 Obligations.

Limited Obligations of IBank

The Obligations are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

The following are some of JSerra's public benefits:

- **Education:** JSerra provides a Roman Catholic high school education in south Orange County. JSerra is an inclusive institution and has provided its students with over \$1 million in financial aid and scholarships.
- **Community:** JSerra entered into a Joint Facilities Use Agreement with the City of San Juan Capistrano in June 6, 2006, to provide community use of athletic facilities, including soccer, softball and baseball fields, tennis courts, outdoor restrooms, and parking lots to conduct community recreation and sports programs.
- **Sports:** Several community sport events for children are held at JSerra, including summer camps, tennis clinics, and Special Olympic swimming competitions.

- **Special Needs:** JSerra hosts autism awareness events twice a year.
- **Cultural Events:** The San Juan Capistrano Community Mariachi Program uses the JSerra facilities free of charge. The program for children ages 6 and up teaches traditional mariachi instruments and music to over 100 students in the program.
- **Juaneno Indian Tribe:** JSerra has been expanding a cultural connection with this tribe since the JSerra campus and surrounding area is their ancestral home. A monument has been built on campus where each year cultural events are held in honor of the Juaneno.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe:
TEFRA	
Date of TEFRA	11/16/2015
Publications	The Sacramento Bee
Oral/Written Comments	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 15-18 authorizing the restructuring of the conduit 2013 Obligations and the issuance of the conduit 2015 Obligations in an amount not to exceed \$500,000 for the benefit of Pueblo Serra Worship Holdings, a California non-profit religious Corporation.

APPENDIX A GOVERNANCE AND MANAGEMENT

PUEBLO SERRA WORSHIP HOLDINGS	
BOARD OF DIRECTORS	
Timothy R. Busch CEO The Busch Firm Laguna Hills, CA	Chairman of the Board
Thomas H. Parr CEO, Advanced Research Labs San Juan Capistrano, CA	Member
Steve Cameron Employee, JSerra Catholic High School	Member
Richard T. Meyer CEO/President/Headmaster JSerra Catholic High School	Member
EXECUTIVE OFFICERS	
Timothy R. Busch	CEO/President
Richard T. Meyer	Secretary
Lisa Guild	Chief Financial Officer

JSERRA CATHOLIC HIGH SCHOOL	
BOARD OF DIRECTORS	
Timothy R. Busch	Chairman of the Board
Steve Cameron CEO Foremost Communities San Juan Capistrano, CA	Vice Chairman
JC Abusaid President Halbert Hargrove Aliso Viejo, CA	Member
Fr. Reynold Furrell Pastor Holy Trinity Catholic Church Ladera Ranch, CA	Member
Richard T. Meyer	Member
Fr. Robert Spitzer, S.J. Rector, Ex-officio JSerra Catholic High School	Member
Hector Barreto President Barreto & Associates San Juan Capistrano, CA	Member
Larry Burke President Zee Medical, Inc. Coto de Caza, CA	Member
Lia Iacocca-Assad Executive Administrator Iacocca & Associates Laguna Beach, CA	Member

JSERRA CATHOLIC HIGH SCHOOL	
BOARD OF DIRECTORS	
Ramina Kharileh President Multit-State Financial Laguna Niguel, CA	Member
Laura Khouri President Western National Property Management Irvine, CA	Member
Matthew Massengill Managing Director Cal Oaks Assets Laguna Niguel, CA	Member
Kimberly Moran San Juan Capistrano, CA	Member
Msgr. Michael McKiernan Rector/Pastor Mission Basilica San Juan Capistrano, CA	Member
Niloofar Fakhimi Owner Planet Beauty Newport Beach, CA	Member
Kathleen Nielsen Corona del Mar, CA	Member
Gordon Roth Principal Roth Capital Partners Dana Point, CA	Member
John Rydell President Networx Online, Inc. Ladera Ranch, CA	Member
Douglas Stephen Director of Sales Precision Tube Bending Monarch Beach, CA	Member
Kevin Tiber Sr. VP/COO F&M Bank of Long Beach Aliso Viejo, CA	Member; Kevin Tiber will recuse himself from all actions related to the financing.
Angie Trudell President Serra Catholic School Anaheim, CA	Member

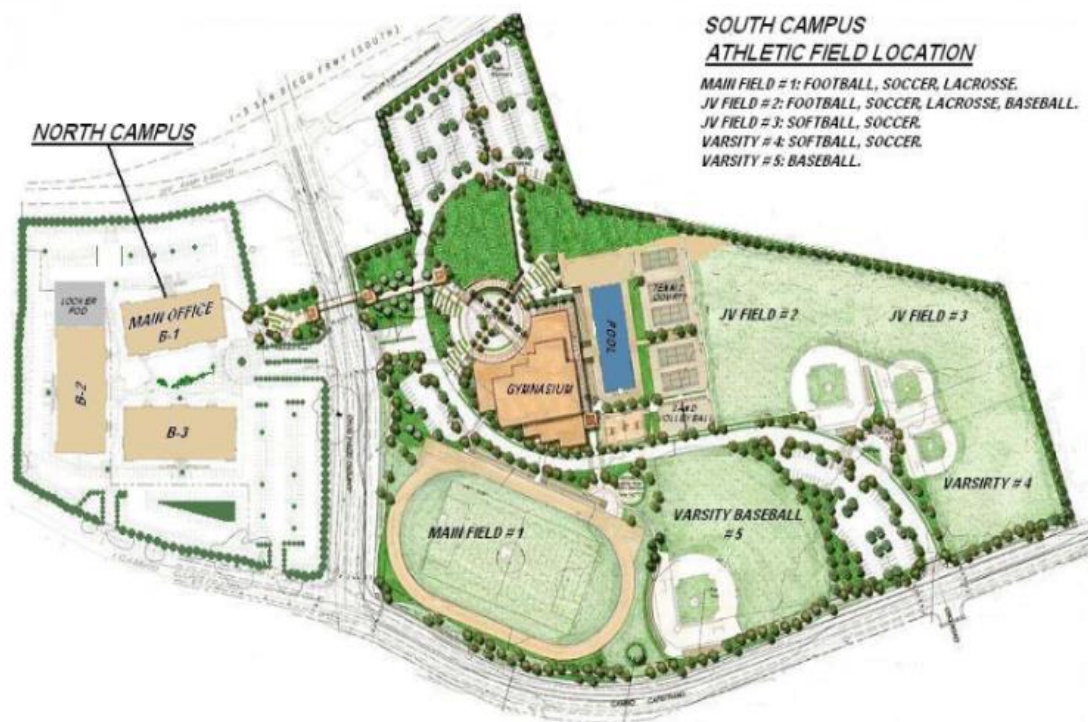
EXECUTIVE OFFICERS	
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JSERRA

Catholic High School

PREPARING STUDENTS FOR FUTURE EXCELLENCE





**SOUTH CAMPUS
ATHLETIC FIELD LOCATION**

MAIN FIELD #1: FOOTBALL, SOCCER, LACROSSE.
 JV FIELD #2: FOOTBALL, SOCCER, LACROSSE, BASEBALL.
 JV FIELD #3: SOFTBALL, SOCCER.
 VARSITY #4: SOFTBALL, SOCCER.
 VARSITY #5: BASEBALL.



APPENDIX C
FINANCIAL STATEMENTS 2013 - 2015